

**LIST OF MATERIALS TRANSMITTED
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Comments on this material requested by October 27, 1988.
Comments may be made by telephone or in writing.

1. Chapter One: Introduction
2. Chapter Two: Changing Workforce Will Alter the World of Work
3. Chapter Three: Coordinating Human Resource Policy
4. Chapter Five: Hiring and Keeping the Best Staff

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DRAFT**CHAPTER ONE****INTRODUCTION**

With the passage of the National Security Act of 1947, Congress recognized the importance of timely and accurate intelligence information about the activities, capabilities, and intentions of foreign powers. Placement of the Director of Central Intelligence (DCI) under the direction of the National Security Council emphasized the critical relation of intelligence to national security.

The importance of timely and accurate intelligence to national security is no less today and cannot be expected to lessen in the future. To meet this need it is vital that the organizations providing intelligence to US policy makers be of the highest quality. Quality products do not come from average organizations.

The quality of an organization is in large measure determined by the quality of its staff. No organization can be a top calibre one unless it can attract and retain high quality, dedicated staff. There is growing concern about the increasing inability to attract to the federal government the country's best talent.

This issue must be a major concern to the Congress and the Intelligence Community. The changing techniques of intelligence call for staff with new technical skills and increasing management

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competence if the intelligence agencies are to respond to the ever-changing activities and work methods needed to fulfill their missions.

The Congress has directed increasing attention to human resource management (HRM) in the intelligence community in recent years. The focus has been on HRM quality and on personnel costs, which are a substantial portion of the intelligence budget. In requesting that the National Academy of Public Administration conduct this study, recognized the importance of effectively managed, quality staff to an effective intelligence program.

The Congress directed that NAPA perform a comprehensive review and comparative analysis of the civilian personnel management and compensation systems of the Intelligence Community (IC). In this study the NAPA panel:

- Examined the need for significant change in the existing IC personnel systems given the strategic trends in the intelligence function and the economic, social, and demographic trends in U.S. society.
- Examined these personnel systems to ascertain if they will be adequate to attract and retain the highest quality personnel through the 1990s.

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- Analyzed personnel issues facing the IC that may differ greatly from those facing the federal government in general.
- Compared the personnel needs and requirements facing the individual IC agencies, with due regard for the differing missions, risks, job requirements and environments of the organizations in the community.

The Congress directed the Academy panel to recommend changes, if warranted, in legislative, regulatory, or other areas in the personnel and/or compensation programs to improve the effectiveness of the personnel systems of the IC agencies and to ensure they are able to accomplish their missions in the year ahead.

The seven member NAPA panel, assisted by its project staff, has reviewed issues which encompass:

- How anticipated changes in the U.S. workforce will affect intelligence agencies.
- The impact of future intelligence requirements on human resource management systems, and how these systems might be organized to meet changing needs.
- Different levels of compensation within the intelligence agencies and how they compare to the rest of the federal government and the private sector.
- Recruitment and retention , especially as they relate to critical skill occupations, and whether personnel security requirements adversely affected agencies' ability to get quality staff.
- How well the agency career development and training programs support current and future mission accomplishment.
- Efforts the agencies have undertaken to make their workforces more representative of all groups within the U.S. population, and whether current levels of effort will enable the agencies to continue to diversify their workforces.

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In addition, the Senate Select Committee on Intelligence requested that NAPA review IC staffing costs and make appropriate recommendations on ways to constrain these costs without adversely affecting intelligence missions. This report addresses these possibilities in the context of overall workforce efficiency.

Principal findings are presented in Volume I of this report. Supplemental information, including a great deal of comparative information on each subject examined, is contained in Volume II. This introductory chapter describes the agencies' breadth of missions and the history of special treatment Congress has considered necessary for these agencies.

I. CHANGING FUNCTIONS REFLECT BREADTH OF MISSIONS

While enabling statutes are largely unchanged, the activities the intelligence agencies perform and the priorities they address to fulfill their missions are continually adapted to changing national security needs. As recently as five years ago, few experts would have predicted the roles many of the agencies now play in monitoring arms control agreements or tracking international financial dealings -- especially those related to drugs. Certainly, glasnost and perestroika were not in most Americans' vocabularies, and their impact on agency missions can still not be fully predicted.

The breadth and complexity of global issues with significant national security implications has grown in the last decade and the panel foresees no diminution in this trend. Terrorism, narcotics, nuclear proliferation, evasions of U.S. export controls, arms transfer, trade and business practices of our allies and of third-world countries, and international financial markets all require continuing attention. While the agencies have different roles vis a vis these issues, they must all adapt to these added complexities.

The principal foreign challenge continues to be the USSR, and the changes going on in that nation are of such a magnitude that the intelligence agencies must not only maintain their current level of effort but also adapt that first priority effort to very new circumstances in that country.

Concurrent with these mission changes, the intelligence agencies have had to adjust to significant shifts in staffing levels -- major reductions in the 1970s followed by major rebuilding in the 1980s -- and in their employee skill mix, as they have come to increasingly rely on technical collection systems.

While the intelligence agencies are not expecting major shifts in skills requirements over the next decade, they do anticipate an increased need for people with a blend of skills. They expect to

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have to develop strategies to meet unexpected requirements, some of which may require different expertise than now available. The agencies will continue to have workload surges as unpredicted world events transpire.

II. HISTORY OF DIFFERENT TREATMENT OF INTELLIGENCE AGENCIES

The intelligence agencies differ from other federal agencies in a number of ways. Intelligence Community staff are subject to detailed security investigations, limited job security, little input to geographic work locations, limitations on personal travel, and in some cases danger to personal safety.

One of the most significant differences is the need for secrecy. In designating that the Director of Central Intelligence protect intelligence sources and methods from unauthorized disclosure, Congress emphasized the importance of secrecy in intelligence activities. Some believe that President Eisenhower said it best when he said of intelligence:

Success cannot be advertised: failure cannot be explained. In the work of intelligence, heroes are undecorated and unsung, often even among their own fraternity... -- their reward can be little except the conviction that they are performing a unique and indispensable service for their country, and the knowledge that America needs and appreciates their efforts.

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Congress further emphasized the vital need to maintain the confidentiality and secrecy of intelligence activities and personnel when it passed the Intelligence Identities Protection Act of 1982 (50 U.S.C., 421 - 426). This law makes it a crime for people who have or previously had access to classified information to intentionally disclose to unauthorized recipients any information identifying a covert intelligence agency employee who is serving outside the U.S. or did so in the past five years. The Act was intended to halt efforts to identify covert agents, recognizing that such actions jeopardize their lives and safety and damage the ability of the U.S. to safeguard national defense and conduct effective foreign policy.

The nature of the intelligence community is further demonstrated through the special handling processes for intelligence program and budget review within the executive branch and in Congress. Because of security requirements, the intelligence agencies are also exempt from portions of the Freedom of Information Act and from the Federal Labor Management Relations Program.

The courts regularly uphold the special nature of intelligence work. In one case in which an employee leaked information to the press (U.S.A. v. Samuel Loring Morison), the U.S. Court of Appeals noted:

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Intelligence gathering is critical to the formation of sound policy, and becomes more so every year with the refinement of technology and the growing threat of terrorism. Electronic surveillance prevents surprise attacks by hostile forces and facilitates international peacekeeping and arms control efforts. Confidential diplomatic exchanges are the essence of international relations. None of these activities can go forward without secrecy.

The U.S. Supreme Court ruled that the Merit Systems Protection Board (MSPB) did not have the authority to review either the substance of an underlying security-clearance determination or the due process procedures associated with it in the course of reviewing an adverse action. The Court noted that placing the burden of proof upon the government "would involve the Board in second-guessing the agency's national security determinations. We consider it extremely unlikely that Congress intended such a result when it passed the Act and created the Board." (Dept. of the Navy v. Thomas E. Egan)

A. Personnel Systems Reflect Special Circumstances

A further marked difference between intelligence agencies and their federal counterparts lies in their personnel systems. Over the years, Congress has given agencies within the Intelligence Community varying levels of authority to appoint staff, determine occupational requirements, set pay rates, evaluate employee performance and terminate staff without regard to the normal civil service rules. The CIA's authorities were granted in their

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initial legislation. The NSA's independent personnel system was created with the National Security Act of 1959, because the need for secrecy in their job structure made it impractical to be subject to Civil Service Commission oversight.

The DIA and military intelligence authorities were granted more recently (1984 and 1987), and were largely based on the agencies' inability to attract and retain top staff, given their inability to compete with the more flexible systems of NSA and CIA. The FBI's excepted authorities were extended to all staff by an Executive Order in 1941, but it operates within traditional Title 5 for pay schedules and rates. Congress has not granted special personnel authorities for the intelligence components within the Department of State's Bureau of Intelligence and Research.

Congress also has highlighted the special needs of those CIA employees whose duties are especially hazardous or entail special security requirements when it created the CIA Retirement and Disability System (CIARDS 50. U.S.C. 403). While these kinds of demands may not be equally placed on all Intelligence Community staff, it is important to recognize that they do exist for some staff. The human resource management systems of the IC agencies must be able to effectively meet the special needs of those staffs who work under these unique requirements, as well as staff less exposed to personal danger or covert lives.

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III. VALUE OF FLEXIBLE HUMAN RESOURCE MANAGEMENT APPROACH

The intelligence agencies expect budgets and staffing levels to stabilize, and the NAPA panel concurs in this view. At the same time, collection capabilities acquired when resources were increasing will lead to "data explosions," meaning the agencies will need more analytical capability, either human or artificial.

To meet changing requirements and enhanced data availability, the intelligence agencies will need to attract, retain, train and retrain a workforce with the skill mix that will meet national security needs. These efforts will have to be accomplished in a climate of constant or declining staffing levels within a labor market undergoing major changes. Yet, there are limits to the intelligence agencies' abilities, and to that of the IC as a whole, to do realistic long range HRM planning. Perhaps because they have concentrated on reacting quickly to international issues or crises, the agencies do not have well-developed HRM planning strategies. The issue is whether their personnel systems are flexible enough to function effectively in a dynamic job market, and meet the needs of their changing workforce.

The panel believes that the intelligence agencies with the greatest flexibility to appoint and compensate have demonstrated the greatest ability to recruit and retain a quality workforce in the 1980s, a time of considerable agency growth and extensive marketplace competition for people with the skills most critical to agency needs.

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The CIA and the NSA have the greatest legal authority to respond to these challenges. Under its 1984 legislation, the DIA has made major changes in its personnel systems and now has the tools to more readily meet these challenges. The military department intelligence components have had considerable difficulty in recent years. The Civilian Intelligence Personnel Management System (CIPMS), scheduled to be phased in beginning in January 1989, will hopefully provide the tools needed to bring about improvements those organizations need.

In the panel's view, the flexibility provided these agencies to establish agency specific personnel systems offers the best hope that these agencies will be able to meet the HRM challenges of the future, a time which may require adjusting the workforce to periods of no growth. The panel strongly recommends that the intelligence agencies retain these flexibilities in their personnel systems. This report recommends additional, specific flexibilities to accommodate periods of stability and growth, as well as to address distinct issues.

Further, this flexibility must continue to recognize and enable the government to respond to the unique circumstances under which some staff of the Community work. Congress has done so in enacting CIARDS for selected CIA staff and should consider the special needs of any staff in other community agencies who might be required to work under comparable circumstances.

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Combined with appropriate accountability within the organizations and to Congress, the panel believes that additional management discretion is needed to provide managers with the human resource management tools they need to fulfill their agencies' missions. The panel commends the Congress for providing the agencies with their current levels of flexibility, and for commissioning this study as it anticipates further demands on the intelligence workforce and the challenge of recruiting, retaining, training and retraining high quality staff.

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DRAFT**CHAPTER TWO****CHANGING WORKFORCE WILL ALTER THE WORLD OF WORK**

A mass of recent studies have compared the expected crop of future workers to the increasing skill demands of the information-age workplace; the prognosis for a match is poor. Given that skilled employees are critical to organizational performance, the federal government is beginning to address the impact these changes will have on its workforce.

When looking at the composition of today's intelligence agencies and envisioning their future workforces, it is difficult to avoid the "demographics as destiny" scenarios put forth in many future-oriented analyses. These projections are important, and much of the discussion here will use them. However, they need not portend severe skill shortages. The intelligence agencies have the chance to act on this information to develop more proactive human capital development policies, and thus mitigate some of the potential impact.

This chapter examines changing workforce demographics and values in the context of the Intelligence Community of today and what the agencies which comprise it will have to do to ensure they can respond to the ever-changing challenges of their national security missions.

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I. WHO WILL WORK IN THE COMING DECADE

While "the future" is an abstract term, it is a fact that five of every six people who will be in the labor force in 1997 are already working or looking for jobs today. In 1988, the median years of education required of new jobs is 12.8, 54.5 percent of families have two wage earners, unemployment is at an eight-year low of 5.5 percent, and the high-school drop-out rate continues to increase in many urban areas.

With an older, slower growing, more ethnically diverse and more female workforce is projected for the turn of the century, change will become the norm in many respects.

A. Basic Demographic Projections

The next decade will see a labor force growing at a slower rate than at any time since the 1930s. Moderate growth projections call for the labor force to expand by nearly 21 million, 18 percent, between 1986 and 2000. This is a slowdown in numbers and rate of growth compared to the previous 14 year period, when the labor force increased by almost 31 million or 35 percent.

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The number of young people (age 20 to 29) will decline relatively and absolutely from 41 million in 1980 (18 percent of the total workforce) to 34 million in 2000 (13 percent). Essentially, the lower birthrate of the pre-"baby boom" generation will reassert itself.

The median age of the population will be 36 -- older than at any time in the nation's history -- and the workforce will age with it, from a median of 36 years in 1984 to 39 years in 2000. As Table 1 shows, the proportion of the workforce in each age category will shift as the birth rate decreases, baby boomers age and the labor participation rate of those over 55 declines, largely because of retirement incentives. This latter point may be mitigated somewhat by retirees who choose to reenter the workforce, perhaps in a part-time capacity, after having retired from a previous career.

Table 1
Age Groups as Proportion of the Workforce: 1986 - 2000

<u>Age Group</u>	<u>Proportion of Workforce, 1972</u>	<u>Proportion of Workforce, 1986</u>	<u>Proportion of Workforce, 2000</u>
16 to 24	23	20	16
25 to 54	60	67	73
55 & older	17	13	11

Source: Department of Labor, Occupational Quarterly, Fall 1987

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Between 1985 and 2000, 60 percent of new entrants to the workforce will be women. By that time, 61 percent of all women will work, and 47 percent of the total workforce will be female. Their wages will be 74 percent of those of their male counterparts, up from the current 67 percent.

By the year 2000, non-whites will grow from 13.1 percent to 15 percent of the total workforce. In so doing, they will represent 29 percent of the net addition to the workforce. The overall workforce growth rate will be 1.2 percent -- 1 percent for whites, 1.8 for blacks, 3.9 for Asians and 4.1 percent for Hispanics.

The greatest increase will be among working black women, who will outnumber black men. This contrasts with the pattern among whites, where working men outnumber working women almost three to two. When workers of both sexes are considered together, the ethnic group with the greatest projected increase will be Hispanics -- a 74 percent labor force increase, to become a total of 10 percent of the U.S. workforce. Blacks will remain the largest minority group in the workforce, comprising 18 percent of all workers by the year 2000.

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Wages for many members of minority groups, already below that of the average wages for white workers, are not expected to rise in proportion to their labor force participation rate. The Bureau of Labor Statistics (BLS) points out that blacks and Hispanics account for a greater proportion of people employed in occupations that are projected to decline or grow more slowly. The declining occupations are those requiring the least amount of education and training, and afford lesser opportunities. With these lesser requirements, come generally lower salaries. BLS highlights the need for higher levels of educational attainment if blacks and Hispanics are to take advantage of job opportunities in rapidly growing occupations.

B. Expected Impact of Change on the Federal Workforce

Anticipating future workforce shifts, the Congress required in the 1988 Appropriations Act that the Office of Personnel Management (OPM) report on the long term workforce needs of the federal government. Civil Service 2000, prepared for OPM by the Hudson Institute -- author of Workforce 2000 -- looks at national trends, what they might portend for the federal government as an employer, and what could be done in anticipation of the future.

Civil Service 2000 finds today's federal workforce is better educated, older, and comprised of a larger proportion of members of minority groups. The report projects little overall workforce

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growth, a rise in the female proportion of the workforce, growth in the professional and technical categories, shrinkage in the clerical fields, continued need for a workforce with language skills three times greater than the national rate, and a growing need to reinvest (largely through training) in senior-level technical personnel.

Unless the average tenure of federal workers drops sharply from its current 13.5 years, more than half of the year 2000 federal employees are already on the payroll. Already, the average age of federal workers is 41, compared to 36 for those elsewhere in the economy. Over the next 12 years, if federal employment levels remain stable, the average age will rise. While this increase will be true elsewhere in the U.S. workforce, the bulge of federal workers now between the ages of 36 and 41 will cause a steady rise in age until a "retirement explosion" begins in 2002.

Civil Service 2000 discusses a "slowly emerging crisis of competence" in federal agencies, due to lack of competitive compensation, falling public esteem for civil servants and outdated management practices and needless aggravations. The report projects recruiting and retention problems because of increased private sector competition, the fact that a growing share of federal jobs will fall into the highest skill (most competitive) categories, and the loosening of the "golden handcuffs" through the new, portable Federal Employees Retirement System.

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Given these expectations, the report recommends four steps designed to develop better strategies for attracting, hiring, training, motivating and retaining talented people.

Recognize the varying federal agency structures and employee needs by decentralizing authority and responsibility for operations and hiring. Standardized recruitment, classification and pay should give way to decentralized personnel management.

Continue emphasis on hiring, training and promoting women and members of minority groups. If it remains an exemplary employer of these groups, the federal government can expect to attract and keep more than its "fair share" of the best qualified members of this changing workforce.

Substantially increase internal and external education of federal workers. Since it will be difficult to compete for the best qualified workers, federal agencies should systematically invest more in their existing workforces; this is a cost-effective way to build skills.

Upgrade federal pay and make benefit packages more flexible. In return, demand performance. The other three steps will not matter much unless the federal government can offer salaries that are comparable with those offered by other employers. At the same time, a small but important part of building a quality workforce is the flexibility to set high standards and fire those who do not measure up.

Without reforms, some federal agencies may find that the quality of services they can deliver will slowly erode. For the federal government collectively, Civil Service 2000 says the time to address these issues is now, before a slow decline or crisis has irrevocably damaged the reputation for competence, honesty and fairness that the federal civil service still enjoys. Given their national security missions, these issues become even more important for the intelligence agencies to address.

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II. AVAILABILITY OF NEW WORKERS TO THE INTELLIGENCE AGENCIES

Most professional jobs in the Intelligence Community are for those with at least one college degree, and the agencies seek to attract recruits at or near the top of their graduating classes or professions. Regardless of whether the intelligence agencies will be able to compete with others who want to hire this talent, it is important to first examine the qualifications of those who will comprise the entry level labor pool through the next decade.

A. Education Preparation

With its warning of a "rising tide of mediocrity," the National Commission on Excellence in Education's report, *A Nation at Risk*, focused the nation's attention on the deteriorating quality of its schools. A discussion of how this occurred and what needs to be done to repair damaged school systems is beyond the scope of this report. The issue itself -- that increasing numbers of U.S. students will not be well prepared for the world of work -- will affect government in many ways.

The Department of Education notes that there has been a substantial increase in the number and proportion of the nation's schoolchildren coming to school from backgrounds that increase the

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chance that they will not do well in school. Many of these "at risk" children will have one or more of the following characteristics: poverty, non-English language background, and single-parent families. This increase in the "at risk" population will continue into the 21st century, and many of these children-turned-workers will be members of minority groups, who will comprise a rising proportion of the labor pool.

Thus, with jobs requiring higher levels of math, science, and literacy than ever before, the workplace is becoming increasingly dependent on workers who often receive the poorest education. This will mean that employers will have to provide more basic skills training for many clerical and para-professional staff. The good news is that early childhood programs have been proven to make a large difference in children's success in school, and governmental and private organizations have recognized the need to devote more resources to reaching children whose family environments don't assure adequate learning skills. The not-so-good news is that only 18 percent of children eligible for Head Start programs are served by them, due to inadequate funding.

The median years of education required of new job holders will rise from 12.8 to 13.5 years between 1984 and 2000. Of all jobs created, over half will require education beyond high school, with one third filled with college graduates. Today, only 22 percent of all occupations require college degrees.

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While high school graduates will not comprise as large a portion of intelligence agencies' workforces as they would at, for example, the General Services or Social Security Administrations, the agencies will need to prepare to provide additional basic skills training for these workers. In addition, the fact that less skilled workers will comprise an increasing proportion of the overall workforce will mean that the intelligence agencies will face tougher competition for more highly educated workers.

B. Higher Education Trends and Job Requirements

Today, only 22 percent of all occupations require a college degree. By the year 2000, more than half will require some education beyond high school and nearly a third will be filled with college graduates. The median years of education required by the new jobs created between 1984 and 2000 will be 13.5, compared with 12.8 today.

In contrast, of the 2.4 million people who graduate from high school each year, as many as 25 percent cannot read or write at the eighth-grade level. The Educational Testing Service does report that test scores in math, reading, computer literacy and science have gone up since the mid-1970s -- with much of the improvement among minority youth. However, there has been no improvement in

higher-order skills, those that the information age workplace increasingly needs. American high school students score below their foreign counterparts in international math and science tests, and test nearly two to three years behind Japanese students. Thus, many of those reaching young adulthood between now and 2000 will not meet the higher level educational requirements of many intelligence agency positions.

In addition, 20 of the 21 million new jobs projected to be created between 1986 and 2000 will be in the service-producing sector; only 4 percent of total employment growth will be in government, and most of this at the state and local levels. Thus, the "cues" bright students get will lead them to college majors to prepare not only for the private sector, but segments within it that likely will not require coursework compatible with education needed for intelligence work.

There are not many projection figures for degrees to be awarded between now and the year 2000. Education enrollment rates alone are difficult to predict; the large declines projected for the early 1980s did not materialize, mostly because of the increase of older female students and a rise in the college-going rate of 18 to 24 year olds. However, the Department of Education believes that enrollment decline will come, but later and less than had been originally predicted. Overall head count enrollment levels are projected to be about six percent lower in 1992 than in 1985. All of the projected decline is in full-time students. This may indicate more of the future college enrollees will be working adults, many of them retraining for new careers.

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The rate of growth in those receiving doctorates from U.S. universities rose five percent in the late 1950s and that rate doubled and then tripled in the 1960s and early 1970s. It peaked in 1973, declined from 1974 to 1976 and has stabilized since 1977.

While this may indicate that the intelligence agencies are competing with other employers for a relatively stable pool of graduates, the proportion of those graduates who are foreign or naturalized U.S. citizens has grown as the overall pool has contracted. (See Chapter Five for more detail on these trends.) Because of security requirements, this means that a considerable portion of additions to the most highly educated segments of the labor force is not available to the IC.

C. Growth in Occupations Requiring Advanced Degrees

At the same time that fewer of those with the most advanced degrees in the critical skill areas are available for intelligence work, the growth rate for jobs in these occupations will also increase. The Hudson Institute projects that growth will be 25 percent across all occupational categories and: 41 percent for engineers/architects/surveyors; 68 percent for natural/computer/mathematical scientists. (They offer no figures for foreign language occupations.) Only lawyers and judges will have more occupational growth (71 percent) than scientists.

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Recent trends show the most growth in advanced degrees in computer and information sciences (38.7 percent more doctorates awarded in 1986 than in 1985). For the same period, doctorates awarded grew only 6.2 percent in mathematics, 5.6 percent in engineering, and 2.5 percent in foreign languages. Engineering bachelors degrees decreased 1.1 percent in 1986, the first decrease in 10 years. Computer/information sciences and mathematics had the largest increase in bachelors degrees awarded that year -- both up 7.7 percent. Foreign languages increased 1.5 percent.

While a larger proportion of foreign language doctorate recipients are U.S. citizens than are those in the other critical skill disciplines, this data becomes less encouraging when you examine the number of doctorates awarded in 1986 for Russian (28), Arabic (9), Chinese (13), and Slavic languages (8). Equally discouraging is the decline in student demand for instruction in many of the less commonly taught languages. Combined with constrained university budgets, this may cause some of those languages to be dropped from university curriculums.

The crux of the combination of a growth rate for jobs in many professional occupations and the shrinking proportion of the labor pool with the skills to fill these jobs means that the intelligence agencies will have tougher competition for the people with the increasingly higher-demand skills.

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III. Changing Values Associated with Work

With the demographic changes in the workforce, managers will likely find their employees with various sets of priorities. Current trends suggest that men and women are seeking to balance career with family and that the pressure for more flexible working arrangements will therefore grow, including demands for company-sponsored day care, part-time work, and childbirth leave for both parents.

As the workforce ages, some analysts believe it may become more productive, on the theory that age brings with it a more experienced, reliable talent pool. Others believe a larger core of older workers will be less willing to adapt to new ideas in the workplace. Most agree that older workers and two-career families will probably be less willing to make geographic moves, a factor which may affect some of the intelligence agencies more than other organizations.

More difficult to quantify is the worth of work to those performing it. Through history, work has been judged to be of value, and is characterized by extrinsic rewards (compensation, benefits, status, etc.) and intrinsic rewards (personal achievement, self-satisfaction, etc.). An Aspen Institute study focuses on

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changing values toward work, and associates many current values with "expressivism," defined as including values such as "creativity, autonomy, rejection of authority, placing self-expression ahead of status, pleasure-seeking, the hunger for new experiences, the quest for community, participation in decision-making, the desire for adventure, closeness to nature, cultivation of self, and inner growth."

The post-World War II worker, having lived through the Great Depression and survived the immediate or threatened peril of war, would have a hard time relating to such a list. While there are no universal indices of "worker values," most manager would acknowledge that many workers today focus more on values associated with "self" than they did a decade ago.

This workforce demands such things as expressions of social conscience on the part of their employers ("don't invest in South Africa") and flexibility in working hours and benefits. They want to participate more in managerial decisions, and they place a higher value on the quality of products or service on which they work.

Workers also feel less tied to one employer than they may have in previous decades in the U.S. or still do in, for example, Japan. Thus, worker willingness to make changes coincides with what many believe will be the need to retrain throughout their careers. Some experts maintain workers will perform five or six different jobs over the course of their working lives, requiring varying degrees of retraining for each.

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IV. THE WORKPLACE RESPONDS

Recognizing the workforce shifts, public and private sector employers have begun to restructure aspects of their working environments, training programs and benefits packages to adapt to the changing world of work.

A. Private Sector Response

Recent studies show that current modes of corporate organization do not tap the positive values of the baby boom generation, and predicts that firms that stress the need for employee participation, ethical behavior, and elevated product quality are those that will have the most productive workforces. Thus, the rise in total quality circle groups, employee excellence programs, and the enthusiasm for books such as In Search of Excellence.

In a 1987 Conference Board survey of 2,000 businesses and other organizations, education was ranked as respondents' top concern. Concurrently, the National Alliance of Business recently called upon the business community to "view education from the perspective of a company in trouble," urging its members to take a more active role in education in their communities.

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As large companies, especially those in major metropolitan areas, have found their search for qualified entry level clerical and para-professional staff more difficult, some have begun special training programs for new hires and others have formed "adopt-a-school" programs through which company employees perform volunteer services for local schools.

In the benefits arena, firms have also begun to meet the more varied workforce expectations by increasingly permitting workers to select from among a variety of benefit options paid for by employer contributions or employee pre-tax contributions -- the so called flexible benefit or "cafeteria" benefit plans. High on worker perceived needs are corporate assistance with child and elder care. As businesses begin to more accurately perceive productivity losses associated with family care-giving, they have become more willing to help employees locate child-care resources or plan for parental care.

In response to changing demographics and other trends, some employers have begun to perceive their workforce as a source of human capital. With job retraining and job replacement costs climbing, high turnover rates are becoming unacceptable -- just as it is unacceptable to management to incur excessive costs due to poorly maintained facilities and equipment. There appears to be a growing willingness in corporate America to invest more in human resource development and training for workers.

DRAFT**B. Federal Response**

From the introduction of flex-time in the early 1980s to the 1988 extension of employee leave sharing, the federal government has begun to recognize the need to provide a more adaptable work environment for its two million civilian employees. Greater workplace flexibility is being tested in the demonstration projects authorized under the 1978 Civil Service Reform Act. Using this authority, the Navy, at China Lake and San Diego, has designed pay and performance systems tailored to their employee's work and needs. The Institute for Science and Technology (formerly the National Bureau of Standards) has recently been authorized by Congress to undertake a similar experiment. (See Chapter Four for details.)

The Civil Service 2000 report stresses that federal agencies should encourage individual agencies to assess child care needs and provide assistance to child care groups at all federal sites, not just those in GSA-managed facilities. The report emphasizes there should not be a government-wide initiative to establish child care centers or a standard solution applied to all agencies. Instead, the report appears to envision the federal role as that of general resource and supportive employer, when the workforce wants the service. Site needs will vary with factors such as proximity to commercial care facilities, working hours and average age of the workforce.

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In terms of employee training, the Office of Personnel adopted a Defense Department proposal to amend that portion of the Government Employees' Training Act that prevents the federal government from expending funds to assist employees in getting a college degree. (See Chapter Five for details.) Though not approved in the 100th Congress, the fact that the federal government wants to make such a major change is indicative of the increased training role it recognizes it must play in the near future.

OPM Director Horner has characterized Civil Service 2000 as a useful planning aide, one she would of requested had Congress not mandated its preparation. Clearly, the federal government is well aware of the changing nature of its workforce and the ensuing need for policy changes.

C. Response Within the Intelligence Community

Because of their more flexible personnel authorities, the intelligence agencies have been able to overcome some potential skill shortages by, for example, offering higher salaries than other agencies can. They have also attempted to respond to the changing demographics of their workforces. For example, the NSA Federal Womens Program has played an active role in locating child care resources for the agency's young workforce. The CIA's proposal for a flexible benefits package represents its efforts to let a diverse workforce select the mix of benefits most likely to meet their needs.

DRAFT**Conclusions**

While the panel believes that the IC agencies have generally been able to recruit quality candidates for their positions , it is clear that projected changes in the U.S. workforce call for greater innovation if this record is to be sustained. In many respects, the request for this report epitomizes the nature of change within the intelligence agencies' workforces, and congressional recognition of the need to adapt human resource policies.

To a large extent, the Intelligence Community must address some of the same issues that other employers will face -- a future workforce that will be smaller and aging, among other factors. The workforce will also have fewer people with the "blend of skill" requirements needed by the sophisticated IC collection systems, and a large and growing proportion of the new graduates with those skills will be naturalized or non-U.S. citizens. Already in direct competition with hi-tech private sector firms, this competition will grow as the workforce contracts.

Because a growing number workers will be from "at risk" families and because of the expected need for workers to retrain several times throughout their careers, it may be necessary for the IC to provide more training related to direct skill attainment. Employees hired by an intelligence agency, having met rigorous

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personnel security requirements and demonstrated a commitment to public service, can be assumed to be worth retaining, and thus retraining, as needed. This is not only a good human resource management policy, but also economical, given the costs of recruitment.

Harder to identify is how the agencies need change to respond to the somewhat different value system of the baby boom generation. In the intelligence agencies, intrinsic rewards are an even larger part of an individual's rewards system, if only because the workforce can't talk about their accomplishments outside a very limited circle. With a shifting set of values among current and future intelligence employees, it may be even more important for IC managers to address these value shifts than it is for other employers. The lead times for hiring staff and the difficulty in replacing some of staff members' expertise make it essential to retain good employees.

Anticipating future workforce composition cannot assure that the intelligence agencies will continue to attract top quality candidates in the increasingly competitive workplace or that they can retain the talented staff they acquire. However, long-range workforce planning -- done in the context of the changing workforce and a flexible human resource management approach -- will enhance the intelligence agencies' ability to control the skill mix of their staffs and how these skills are applied to meet their complex missions.

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CHAPTER THREE
COORDINATING HUMAN RESOURCE POLICY

The Conference Report to the 1988 Intelligence Authorization Act instructed that the National Academy of Public Administration "Assess the ability of intelligence community activities to perform their current and future missions with existing or proposed personnel and compensation systems." The Academy panel recognized that there are many differences among agency authorities and policies and that there has been a great deal of recent change in these areas. Given this, the panel believed that one of its most important tasks was to assess the extent of coordination on these issues within the Intelligence Community and whether agencies with similar missions yet independent personnel systems in different organizational settings would benefit from a more coordinated approach to personnel policy.

In looking at intelligence agency human resource management (HRM) in its broadest context, the panel examined a range of organizational options for inter-agency coordination. Some of the options deal with statutory changes, while others go further, and discuss a stronger central role for coordinating change to major policies under existing statutory authorities. Prior to discussing these, the panel presents more detailed background information.

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I. Congressional Concern on Lack of Coordination

There has been concern among the congressional intelligence committees, who must address legislative proposals and conduct oversight, that the current lack of coordination has led to uneven compensation levels and other potential inequities. The committees believe this may be further reflected in an uncoordinated pattern of change -- termed "ratcheting" -- in which IC agencies become aware of new benefits one agency gets, and then request it for themselves. They believe proposals for personnel policy change should be examined in terms of their comparative impact or usefulness for other intelligence agencies, and in terms of how they relate to Title 5 Civil Service policies.

The depth of concern on this is reflected in the fact that this NAPA study was originally proposed by the House Permanent Select Committee on Intelligence (HPSCI) as the Commission on Intelligence Personnel Systems, with one member appointed by the president, another by the speaker of the House, and a third by the majority leader of the Senate. The House believed the Commission was necessary to: provide a comprehensive review of current programs; assess the need for changes, especially those required by the unique circumstances of intelligence activities; and present recommendations to the Congress after considering the potential inequities the proposed changes would create either among intelligence agencies or between the intelligence community and the federal Civil Service.

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A more recent reflection of the House Committee frustration in dealing with personnel and compensation proposals was contained in their comments on the fiscal year 1989 authorization for the National Foreign Intelligence Program (NFIP). The Committee expressed great concern that CIA personnel management and compensation systems could create inequities between CIA personnel and those in other intelligence agencies as well as with the federal Civil Service. The Committee maintains that inequities should be avoided and differences established only when unique circumstances of intelligence activities warrant such action. Further, the committees believe major personnel changes should not be implemented without fully evaluating the impact such changes would have on other agencies and whether they may need the same changes.

The Senate Select Committee on Intelligence (SSCI) has undertaken efforts to define for itself the varying personnel approaches within the IC. It reviewed IC personnel management, with work done in part by staff borrowed from the General Accounting Office, and prepared extensive background information on several of the agencies. As the review process neared the report writing stage, SSCI staff began working on the Iran Contra investigation, and were not able to complete it. Given the similar scope of the NAPA study, the SSCI has deferred completing its own review pending the outcome of this study.

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II. Framework for Coordination

In the executive branch, there is an umbrella organization -- the Office of Personnel Management -- to translate the laws governing Civil Service into administrative doctrine and delegate portions of the related functions to department or agency heads. The OPM also oversees proper implementation of personnel law. Within the Intelligence Community, there is no entity with a similar responsibility. While such a formal structure may not be needed, or even beneficial, the panel sees a clear need for enhanced coordination of HRM policies.

While the panel favors coordinated change, it cautions that the Congress not regard uniformity as an end, but that it instead seek a common set of personnel policy parameters under which all intelligence agencies would operate. The intelligence agencies are, in varying degrees, part of larger organizations with different cultures, authorizing committee jurisdictions and missions. This does not lend itself to a central structure. Not only would such a structure be a complex one to administer, it can thwart innovation. Clearly, the federal government is moving away from this concept, as OPM itself is now advocating decentralized approaches to personnel management.

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Establishing a set of broad parameters, rather than a defined operating structure provides each agency with the flexibilities recommended throughout this report. The agencies would have maximum discretion in implementing these policies according to their management needs, and they would be accountable through the congressional oversight process.

III. Possible Options for Coordination

The panel presents three options for increased coordination of personnel policy changes. These range from fairly little change in the current process to a decision-making role for the DCI. The panel considered the concept of a central personnel component for the Intelligence Community, but did not believe that concept to be in tandem with its other recommendations. In assessing each of the three options presented here, the panel looked at the extent to which it would assure equitable treatment for employees with similar work or work environments, and provide congressional committees a base of information on the impact of major changes.

Option 1 Agency Comparative Analysis of Legislative Proposals for HRM Change

Each intelligence agency would analyze the impact their legislative proposals would have within their own organizations and,

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potentially, within the broader Community. These analyses would be submitted with the proposal to the House and Senate intelligence committees.

**Pros: Agency Accountability for
Comparative Analysis**

- A.) Least threatening to the individual agencies in terms of potential interference or impaired independence.
- B.) Forces the submitting agency to examine Community-wide implications of proposed statutory personnel changes.
- C.) Gives the committees one agency's perspective on change implications.

**Cons: Agency Accountability for
Comparative Analysis**

- A.) Does not assure coordination among the intelligence agencies before they submit legislative requests on personnel issues.
- B.) Does not eliminate the potential for "ratcheting," as decisions may still be made incrementally.
- C.) Puts the onus on congressional staff, who may not be experts on personnel matters, to analyze and assess change proposals.

Option 2 Senior Management Coordination

This would entail establishing a coordinating mechanism, chaired by the DCI, similar to the National Foreign Intelligence Committee (hereafter referred to as Senior Coordinating Group, or SCG.) The SCG would consider all statutory personnel change

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proposals and major changes in employee benefits and compensation schedules. The SCG could be supported by a small staff element in the ICS.

Each agency represented at the SCG would be given the opportunity and would be required to state its views about another agency's statutory proposal. These comments would then be assembled by the agency proposing the change and would become part of its submission to Congress. This uses the SCG as a coordinating mechanism, as a forum for discussion, but leaves the formal presentation of the change to the proposing agency.

Pros: Senior Coordinating Group

- A.) Gives congressional committees increased confidence that comparative analysis of proposed changes fully considers potential inequities or impacts.
- B.) Permits the proposing agency to hear different viewpoints, and gives it the chance to amend its proposal in a relatively low visibility environment.
- C.) Ensures that congressional committees receive conflicting points of view without having to develop it themselves.
- D.) Leaves accountability for proposing change with the individual intelligence agencies.

Cons: Senior Coordinating Group

- A) Non decision-making committees are usually unable to resolve conflicting views, and can only report the different policy positions to the congressional committees.
- B.) Committee processes inherently involve delays.
- C.) Congressional committees would remain the ultimate decision-makers on agency change proposals, which leaves them more in the loop than they may want to be.

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Option 3 DCI Review of Proposed Personnel Legislative Changes and Major Changes Within Existing Legislation

The scope of the DCI's review would be expanded to cover significant changes in employee benefits and compensation schedules. The DCI would have the authority to stop proposals deemed inappropriate and require corrective action when he deemed some personnel authorities were to be used inappropriately. The DCI would be supported by a small staff element in the ICS which had professional credentials in the field of human resource management.

Pros: DCI Review of Proposed Personnel Legislative Changes and Major Changes Within Existing Authorities

- A.) Ensures that congressional committees receive only those statutory proposals or that information on major policy changes that the DCI determines merit committee consideration.
- B.) Assures that decisions on conflicting views will be made within the Executive Branch.

Cons: DCI Review of Proposed Personnel Legislative Changes and Major Changes Within Existing Authorities

- A.) Creates added tension within the IC, in that other agencies may believe the DCI does not have a role in deciding whether statutory requests should go forward or in reviewing personnel policies agencies can legally implement under their own authorities.
- B) Places the DCI in a difficult role re other power centers -- the Secretary of Defense and the Attorney General.
- C.) Moves accountability for implementing policies within the "broad parameter" system from the individual agencies to the DCI.

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Panel Preference for SCG

In developing its recommendation, the panel sought to balance the concerns of the congressional intelligence committees with the organizational realities of the agencies which comprise the Intelligence Community.

The panel believes it is not only understandable but commendable that the intelligence committees are willing to devote time and effort to understanding Intelligence Community HRM and looking toward the impact of future economic, social and demographic trends. Equally understandable is the committees' apparent frustration in having to focus on details within current policy implementation or change proposals. This is not an efficient use of congressional oversight time, as NAPA has highlighted in previous reports on effective congressional oversight.

At the same time, the panel recognizes that it has probably been very frustrating to the intelligence agencies to invest time in designing and refining HRM change proposals, only to have to wait what may seem inappropriate lengths of time for approval.

The panel sees two points that need to be addressed -- the level of communication between the intelligence committees and the IC agencies, and the scope of changes the agencies may make without

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seeking congressional approval. Whatever coordinating approach is selected to deal with these issues, it must be one that clearly places accountability for HRM implementation with the intelligence agencies themselves and draws the intelligence committees into these issues only in terms of the broad parameters of the HRM systems.

The panel recommends Option 2, establishing a Senior Coordinating Group, as the one which best achieves these objectives. In relying on a such an inter-agency group, the congressional committees assure an integrated approach toward HRM change and leave the responsibility for assessing the potential impacts of change where it belongs -- with the intelligence agencies.

The intelligence agencies began cooperating more on personnel issues with the inception of the NAPA study. While they were not necessarily unwilling to cooperate with one another prior to the study, they had little occasion to do so, and there were no incentives to encourage this. The NAPA panel's experience with the extent of cooperation and the level of coordination of the Study Steering Group's comments on NAPA's work suggests that the agencies within the Community are able to work effectively on these issues. The Study Steering Group composed of Directors of Personnel or officers in similar positions was established by the Community to facilitate the work of NAPA. It has worked well and the panel recommends that it continue as an arm of the SCG on human resource issues.

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A DCI decision-making role (Option 3) could certainly fill the same role, but the panel believes it would limit the agencies' independence. An enhanced role for an individual or position generally creates tension within any organization or group of organizations. This need not necessarily be "bad" -- consider the concept of "creative tension" -- but the Congress will need to consider whether the agencies' potential mistrust of an expanded role for the DCI will impede the coordination process or remove elements of agency independence that the Congress may have deliberately created. As a practical matter, agency missions and workforces are sufficiently different that a single decision-maker would require a great deal of centralized expertise, likely to duplicate individual agency capabilities. Thus, the ICS staff working to support the DCI would be much larger than that anticipated in Option 2.

The panel recommends that the intelligence agencies work to keep the congressional committees apprised of major change proposals as they develop. The concept of "no surprises" is a basic tenet of effective management and good congressional relations, and would save a great deal of anguish. At the same time, the panel emphasizes that this communication should be at the broad, policy level. The panel sees no reason for congressional committees to become involved in most aspects of agency management.

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Option 2, administered with common sense communication, will provide the committees with the information they need to make decisions, and the intelligence agencies with the flexibility to implement their current HRM systems and develop effective approaches for the future. It will also provide the framework for implementing the panel's recommendation for increased coordination in a number of specific areas.

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CHAPTER FIVE

HIRING AND KEEPING THE BEST STAFF

Each of the intelligence agencies has wrestled with determining the appropriate mix of skills to fulfill their complex missions and with identifying and hiring top quality staff. This entails meeting strict personnel security requirements, which are crucial components of staff eligibility when working with national security information.

The next decade will tax all federal agencies' abilities to recruit and retain a talented, diverse workforce. The intelligence agencies will face even greater challenges than many others, in large part because of the skill mix they require. In addition, there will be increasing competition from the private sector for people with these skills, especially for members of minority groups.

This chapter focuses on the intelligence agencies' staffing levels over time, their efforts to recruit and retain top quality staff, and the extent to which personnel security requirements affect those efforts.

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